

# **EXHIBIT 3**



# Intellectual Property Rights

## Fiscal Year 2018 Seizure Statistics

*Prepared by*

U.S. Customs and Border Protection  
Office of Trade



Homeland  
Security



# INTELLECTUAL PROPERTY RIGHTS

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Disclaimer: The information contained in this report does not constitute the official trade statistics of the United States. The statistics, and the projections based upon those statistics, are not intended to be used for economic analysis, and are provided for the purpose of establishing U.S. Department of Homeland Security workload.





## EXECUTIVE SUMMARY

Products that infringe U.S. trademarks and copyrights are subject to exclusion orders issued by the United States International Trade Commission threaten the health and safety of American consumers and pose risks to our national interests. U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations' (HSI) enforcement of intellectual property rights (IPR) mitigates the financial and welfare risks posed by imports of illicit products.

Each year, more than 11 million maritime containers arrive at our seaports. At our land borders, another 10 million arrive by truck and 3 million arrive by rail. An additional quarter billion more cargo, postal, and express consignment packages arrive through air travel. The Department of Homeland Security (DHS) remains vigilant in targeting shipments containing IPR-infringing goods, levying civil fines and criminally investigating those who seek to violate our trade laws, harm consumers, and damage our economy.

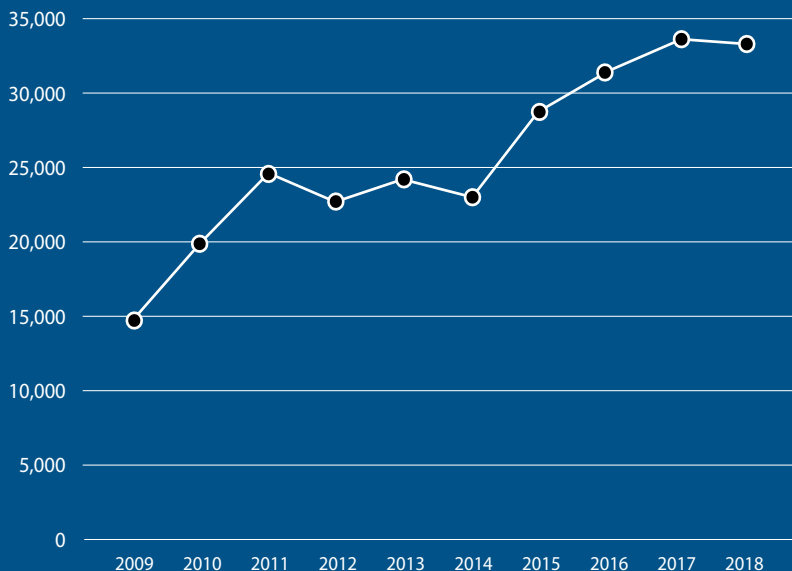
In fiscal year (FY) 2018, the number of IPR seizures decreased by 333 seizures to 33,810 from 34,143 in FY 2017. The total estimated manufacturer's suggested retail price (MSRP) of the seized goods, had they been genuine, increased to nearly \$1.4 billion from over \$1.2 billion in FY 2017.

In FY 2018, ICE-HSI arrested 381 individuals, obtained 296 indictments, and received 260 convictions related to intellectual property crimes.



## YEAR IN REVIEW

### 10 Year Seizure Totals



In FY 2018, CBP completed 203 exclusion order enforcement actions (shipments seized and shipments excluded).

CBP officially concluded the “pilot” phase of the IPR Voluntary Abandonment program in 2018. While the IPR Voluntary Abandonment Pilot presented alternatives that could increase the efficiency of counterfeit interdictions, reduce the amount of resources dedicated to administrative actions, and create overall cost savings for CBP, current efforts must shift from operating in a pilot status and focus on formal development efforts. This includes developing the necessary legal framework to support IPR abandonment procedures that align with stakeholder and industry partner requirements, as well as addressing operational challenges identified during the pilot phase. Additionally, CBP will continue to focus on using alternatives to seizure authorities where operationally feasible in order to balance trade enforcement efficiency and effectiveness.



In FY 2018, CBP's Integrated Trade Targeting Network (ITTN) conducted 26 national level IPR-Trade Special Operations, and 103 local IPR-Trade Special Operations. These trade special operations targeted high-risk shipments at seaports, airports, international mail facilities, and express carrier hubs across the United States, and resulted in 4,891 seizures of IPR-infringing goods. If genuine, these goods would have a total estimated MSRP of \$94 million. This represents a 104% increase in MSRP from IPR-Trade Special Operations from the previous fiscal year (2017).

CBP and HSI seized 213 shipments of computer networking equipment affixed with counterfeit trademarks with a total MSRP value of nearly \$15.5 million. This is a 25% increase in the number of seizures of computer networking equipment, and a 112% increase in MSRP value over FY 2017. The networking equipment seizures violated a total of seven trademarks recorded with CBP and occurred at 21 ports around the country.

A New Jersey importer of counterfeit computer networking equipment was sentenced to one year in federal prison in New Jersey Federal District Court and paid approximately \$1 million in restitution to seven end-user victims, including a healthcare company, a major university, and federal and local government agencies. Two trademark owners also received restitution.

A Texas importer of counterfeit computer networking equipment was sentenced to two years in federal prison in Houston Federal District Court. The importer paid a fine and restitution to trademark owners totaling \$60,000.



The ICE-led National IPR Coordination Center (IPR Center), along with representatives from CBP, conducted Operation Team Player prior to Super Bowl LII to jointly address the illegal importation of counterfeit sports-related merchandise. These efforts resulted in the seizure of over 171,926 counterfeit sports- and entertainment-related items worth an estimated \$15.7 million, and a joint investigative effort led to 65 arrests with 24 convictions.

On December 11, 2017, the CBP Chicago Tactical Analytical Unit targeted a foreign mail parcel from China for examination. It was suspected that the parcel contained drug contraband, and HSI was notified. On December 15, 2017, HSI special agents and postal inspectors of the U.S. Postal Inspection Service (USPIS) intercepted the parcel and performed a border search examination, discovering approximately 248 grams of Clonazepam, a non-scheduled benzodiazepine.

Further investigation revealed many of the package recipient's close associates were identified by the local police department as members of a street gang. HSI, working with CBP's Chicago Tactical Analytical Unit, targeted and examined several international mail parcels that were addressed to the recipient's associates. These examinations yielded the discovery and release of suspected inert excipients – used in the pill-pressing process – and suspected pill press parts. In March 2018, HSI, USPIS, and local police executed search warrants at the subject's residence, discovering several hundred Xanax pills. In addition, agents also executed a search warrant at a commercial warehouse property, during which they discovered and dismantled a commercial-grade clandestine

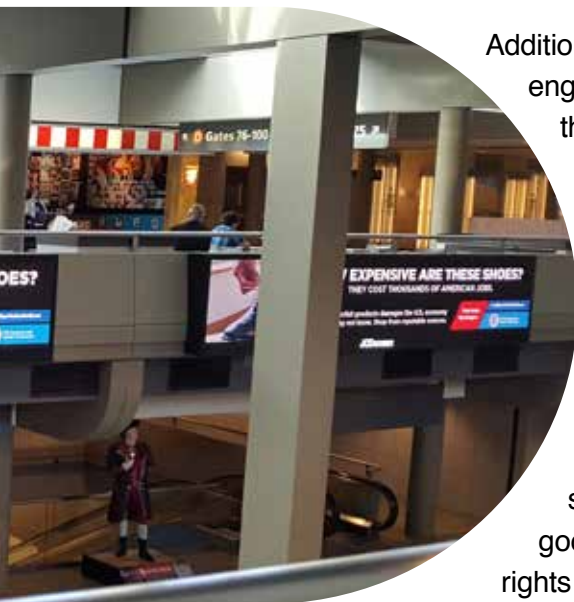
drug production laboratory. The subject and an associate were subsequently indicted for violations of Title 18, United States Code, Section 2320, Trafficking of Counterfeit Goods.

CBP's Centers of Excellence and Expertise (Centers) initiated six of 27 national operations in 2017. In 2018, those numbers increased to 24 out of 26, displaying how the Centers have been developing and executing enforcement operations to address areas of risk in the IPR arena. The MSRP of the seized merchandise by Center-initiated operations rose from \$1.4 million in 2017 to over \$11.5 million in 2018. These enforcement operations may be directed at a specific port of entry or expanded to all ports of entry, more information about the risk is identified. The Centers work in close cooperation with port personnel and HSI agents where appropriate.

Pursuant to the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) Section 308(d), CBP prescribed regulations for receiving donations from private sector parties of hardware, software, equipment, and technologies for the purpose of enforcing IPR. CBP's implementation of section 308 (19 CFR 133.61) has yielded several high-profile public-private partnerships that have demonstrably enhanced CBP's ability to quickly and accurately detect counterfeit merchandise entering the U.S. For instance, within a two-day span in August, barcode scanners donated by Cisco and used in conjunction with their online package look-up tool, assisted in the seizure of 147 counterfeit switch base units, with a total MSRP of \$958,375.



In FY 2018, CBP continued The Truth Behind Counterfeits public awareness campaign to educate the traveling public of the many negative impacts associated with the purchase of counterfeit products. The campaign consists of ads placed on large electronic bulletin boards at major international airports around the United States and online ads on several travel websites during the heavily traveled holiday and summer vacation time periods. The ads were designed to enlighten these travelers of the unknown dangers of counterfeit goods by alerting them that purchasing counterfeit goods may support criminal activity, could have significant health and safety consequences, and has a harmful impact on the U.S. economy. The campaign encourages consumers to know before they buy and to shop from reputable sources. In FY 2018, the campaign was viewed an estimated 200 million times. More information can be found on the campaign website at [www.cbp.gov/fakegoodsrealdangers](http://www.cbp.gov/fakegoodsrealdangers).



Additionally, the ICE-led IPR Center engages in partnerships with the public and private sectors to combat IP theft through Operation Joint Venture.

This initiative is designed to increase information sharing with public and private sectors to combat the illegal importation and distribution of counterfeit, substandard and tainted goods. Joint Venture targets

rights holders, manufacturers, importers, customs brokers, freight forwarders, bonded facilities, carriers and

others to discuss the IPR Center's priorities of protecting public health and safety, the economy, and securing the supply chain. In addition to the industry outreach mission, it conducts domestic and international training of federal, state, local and foreign law enforcement to facilitate seizure of illicit goods. In FY 2018, more than 16,000 people participated in 308 outreach and training events.

CBP concentrates its IPR enforcement efforts on federally registered trademarks and copyrights that have been recorded with CBP by their owners using the Intellectual Property Rights e-Recordation (IPRR) system, <https://iprr.cbp.gov/>. CBP administers these recordations using a secure proprietary database that CBP can access to make IPR enforcement determinations. Product ID manuals that are prepared by rights holders are also linked to the database and used by CBP in making if the goods are legitimate determinations if the good are legitimate.



At the close of FY 2018, CBP enforced trademarks and copyrights pertaining to over 17,641 active recordings, including 2,289 new recordings and 812 renewals of expiring recordings.

During FY 2018, pursuant to Section 304 of TFTEA, 42 new recordings were initiated for copyrights which had pending registration applications with the U.S. Copyright Office (USCO).

CBP works closely with rights holders in making IPR enforcement determinations. A public database of both active and inactive recordings is available using a search engine called the Intellectual Property Rights Search (IPRS) at <http://iprs.cbp.gov/>. Information on potential IPR infringements can be submitted to CBP using the e-Allegations Online Trade Violation Reporting System at <https://eallegations.cbp.gov/Home/Index2>.



Counterfeit purse seized by CBP



## IPR & E-Commerce

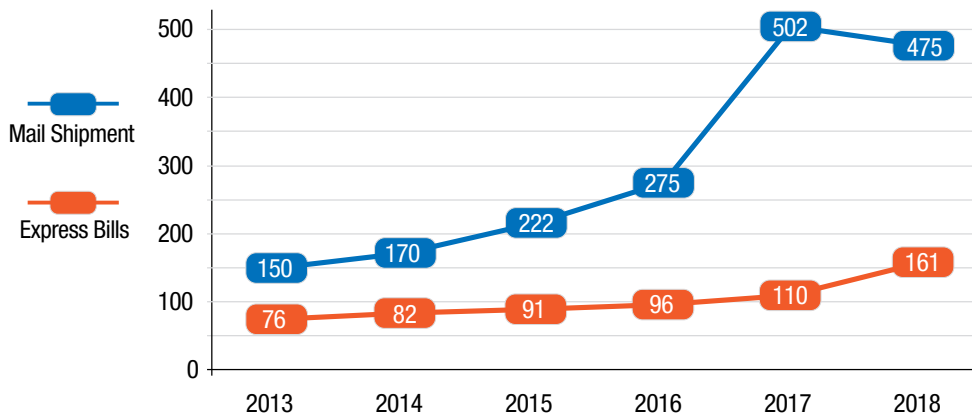
E-commerce sales, including those through third-party platforms, have resulted in a sharp increase in the shipment of small packages into the United States. In FY 2018, there were 161 million express shipments, and 475 million packages shipped through the international mail environment.

Over 90% of all intellectual property seizures occur in the international mail and express environments. A majority of those fall under the de minimis threshold of \$800.

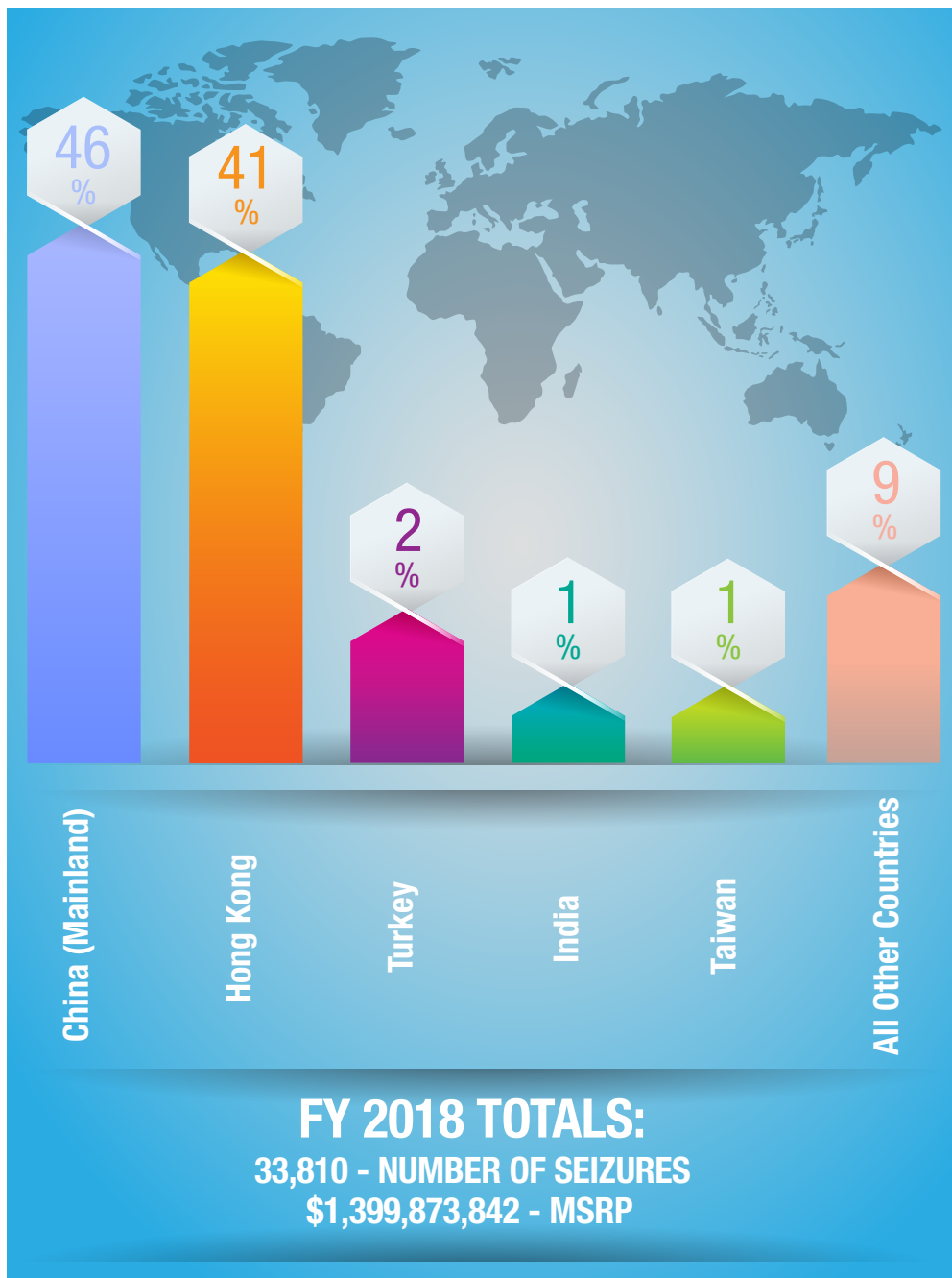
In March 2018, CBP released its CBP E-Commerce Strategy. The strategy strengthens CBP's ability to protect the public and U.S. economy from noncompliant goods. The strategy drives compliance and enforcement, and promotes coordination. CBP is working toward implementation.

More e-commerce related information can be found at <https://www.cbp.gov/trade/basic-import-export/e-commerce>

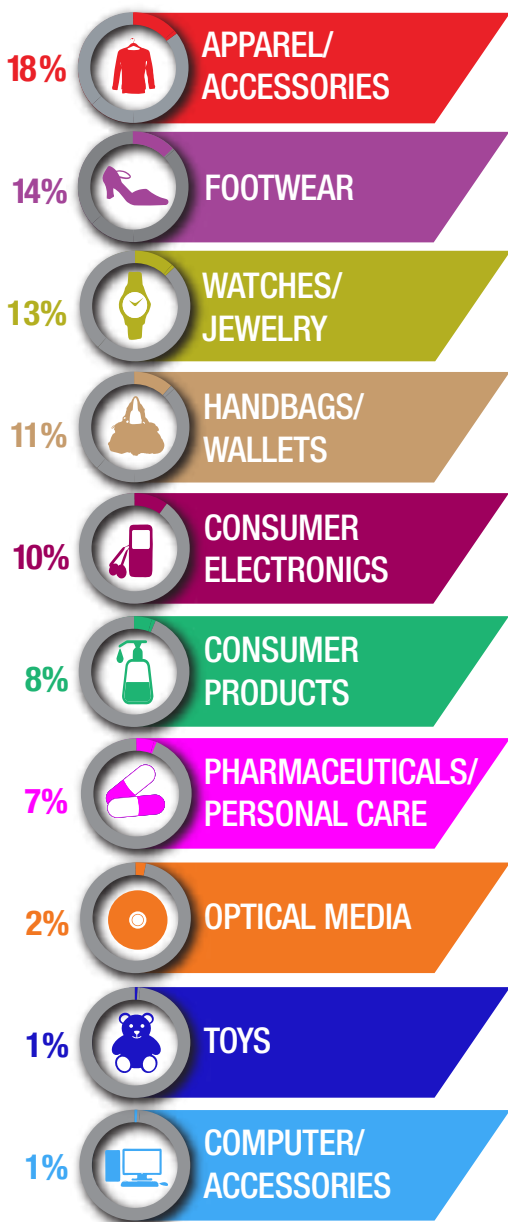
**Growth of Small Shipment (in millions)**



## FISCAL YEAR 2018 IPR SEIZURE STATISTICS BY NUMBER OF SEIZURES

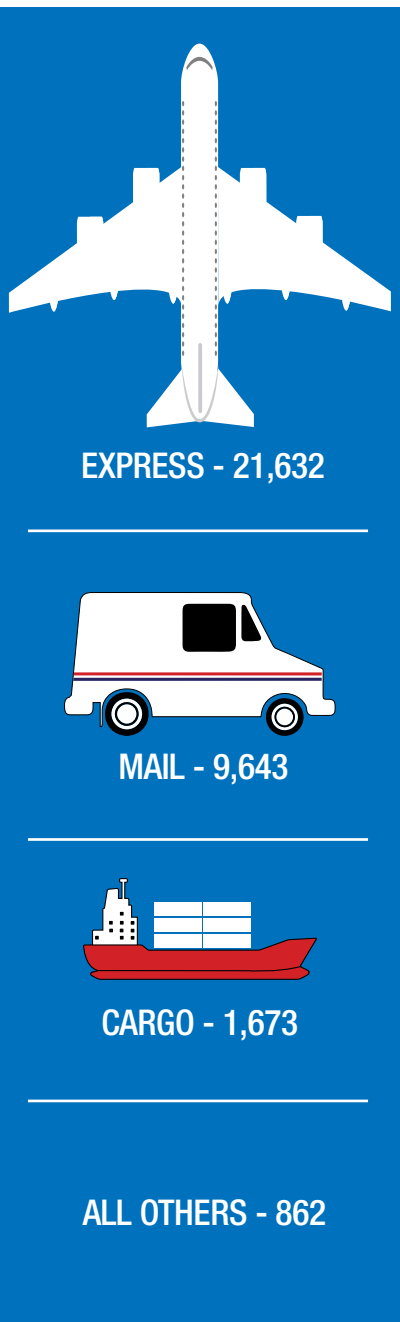


## TOP PRODUCTS SEIZED BY NUMBER OF SEIZURES



ALL OTHERS 15%

## SHIPPING ENVIRONMENT BY NUMBER OF SEIZURES





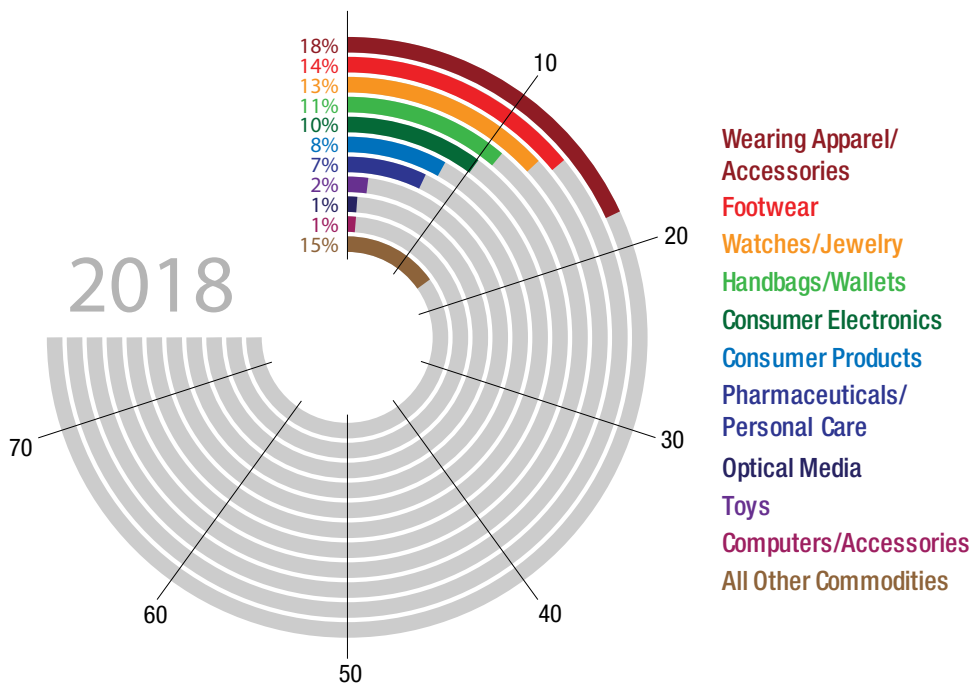




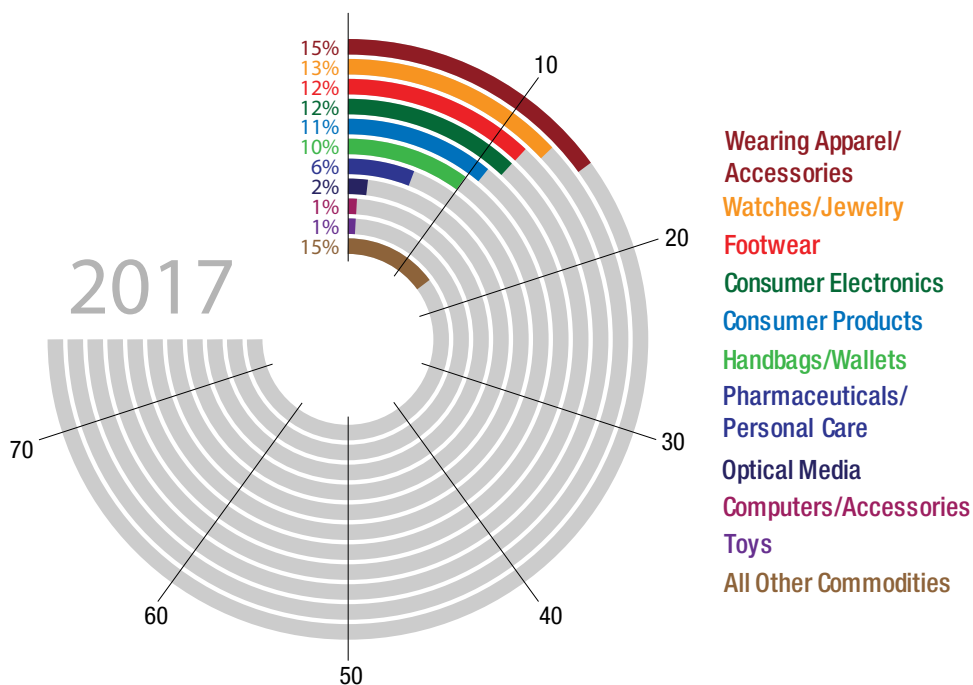




## Number of Seizures by Product



Products	Seizures	% of Total*
Wearing Apparel/Accessories	6,098	18%
Footwear	4,728	14%
Watches/Jewelry	4,291	13%
Handbags/Wallets	3,593	11%
Consumer Electronics	3,388	10%
Consumer Products	2,816	8%
Pharmaceuticals/Personal Care	2,293	7%
Optical Media	561	2%
Toys	487	1%
Computers/Accessories	450	1%
All Other Commodities	5,105	15%
Number of Seizures	33,810	

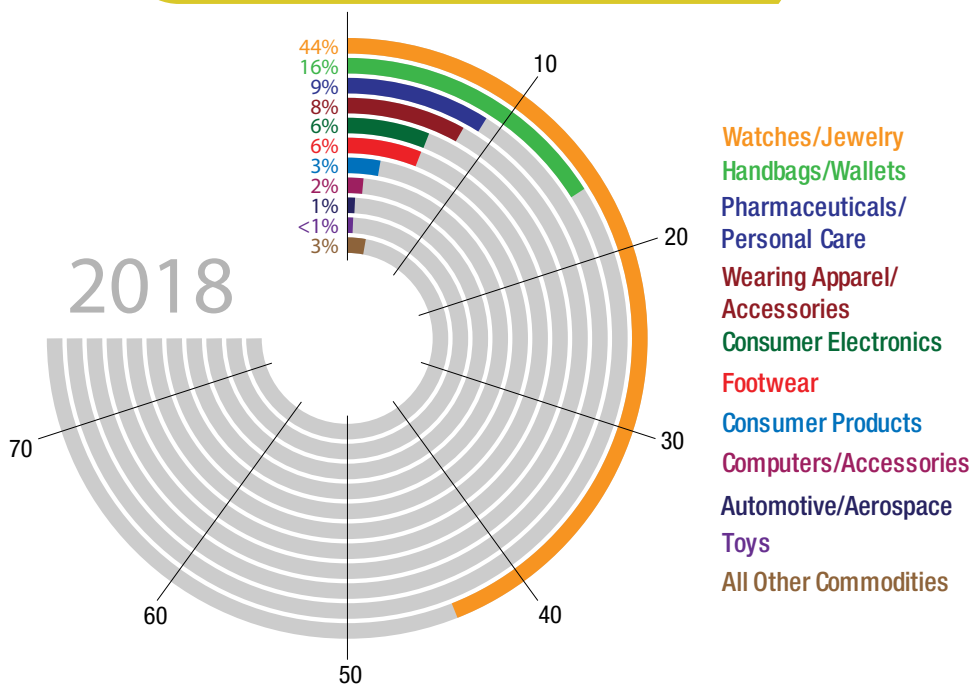


Products	Seizures	% of Total*
Wearing Apparel/Accessories	5,223	15%
Watches/Jewelry	4,297	13%
Footwear	4,224	12%
Consumer Electronics	4,137	12%
Consumer Products	3,912	11%
Handbags/Wallets	3,266	10%
Pharmaceuticals/Personal Care	2,209	6%
Optical Media	809	2%
Computers/Accessories	454	1%
Toys	449	1%
All Other Commodities	5,163	15%
Number of Seizures	34,143	

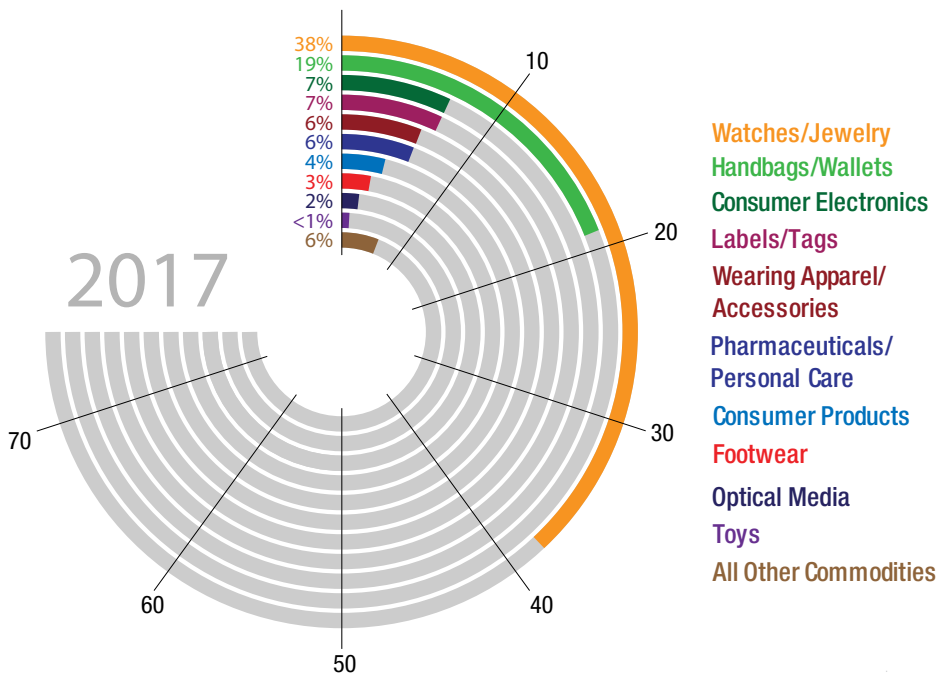
Seizures involving multiple product categories are included in the “All Others” category. Because the individual percentage figures are rounded, in some cases, the sum of the rounded percentages for a given fiscal year is slightly higher or lower than 100 percent.



## Products Seized by MSRP



Products	MSRP	% of Total*
Watches/Jewelry	\$ 618,166,688	44%
Handbags/Wallets	\$ 226,505,542	16%
Pharmaceuticals/Personal Care	\$ 131,457,724	9%
Wearing Apparel/Accessories	\$ 115,163,801	8%
Consumer Electronics	\$ 89,593,498	6%
Footwear	\$ 77,500,746	6%
Consumer Products	\$ 40,846,424	3%
Computers/Accessories	\$ 29,939,882	2%
Automotive/Aerospace	\$ 14,861,590	1%
Toys	\$ 10,590,281	1%
All Other Commodities	\$ 45,247,665	3%
Total FY 2018 MSRP	\$ 1,399,873,842	
Number of Seizures	33,810	

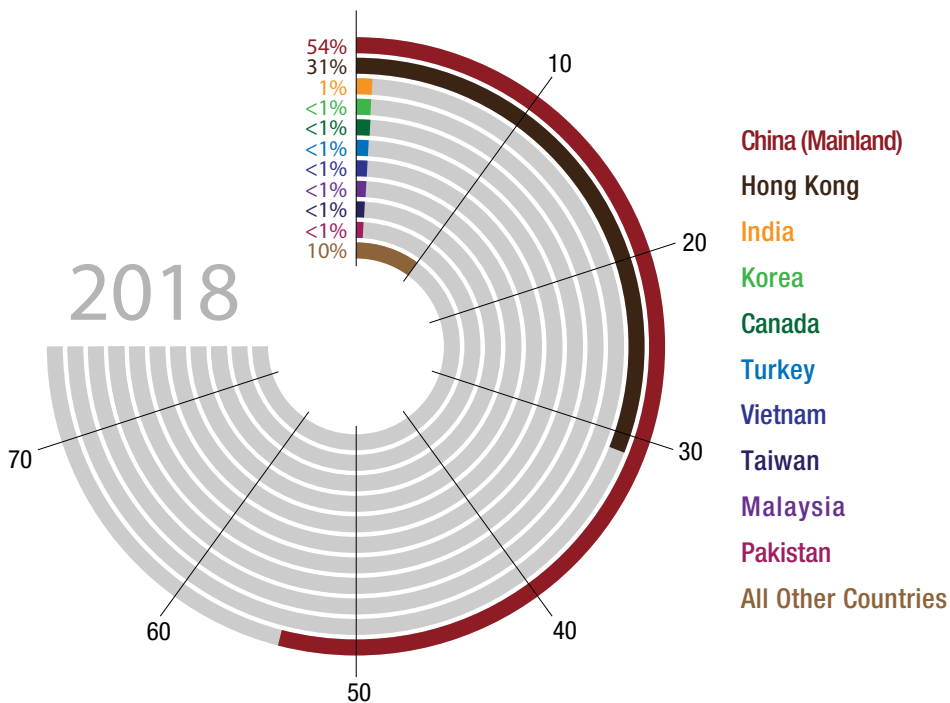


Products	MSRP	% of Total*
Watches/Jewelry	\$ 460,162,145	38%
Handbags/Wallets	\$ 234,451,926	19%
Consumer Electronics	\$ 85,115,639	7%
Labels/Tags	\$ 80,951,055	7%
Wearing Apparel/Accessories	\$ 74,880,617	6%
Pharmaceuticals/Personal Care	\$ 69,758,720	6%
Consumer Products	\$ 46,265,355	4%
Footwear	\$ 41,490,429	3%
Optical Media	\$ 27,573,775	2%
Toys	\$ 12,128,156	1%
All Other Commodities	\$ 73,604,401	6%
Total FY 2017 MSRP	\$ 1,206,382,219	
Number of Seizures	34,143	

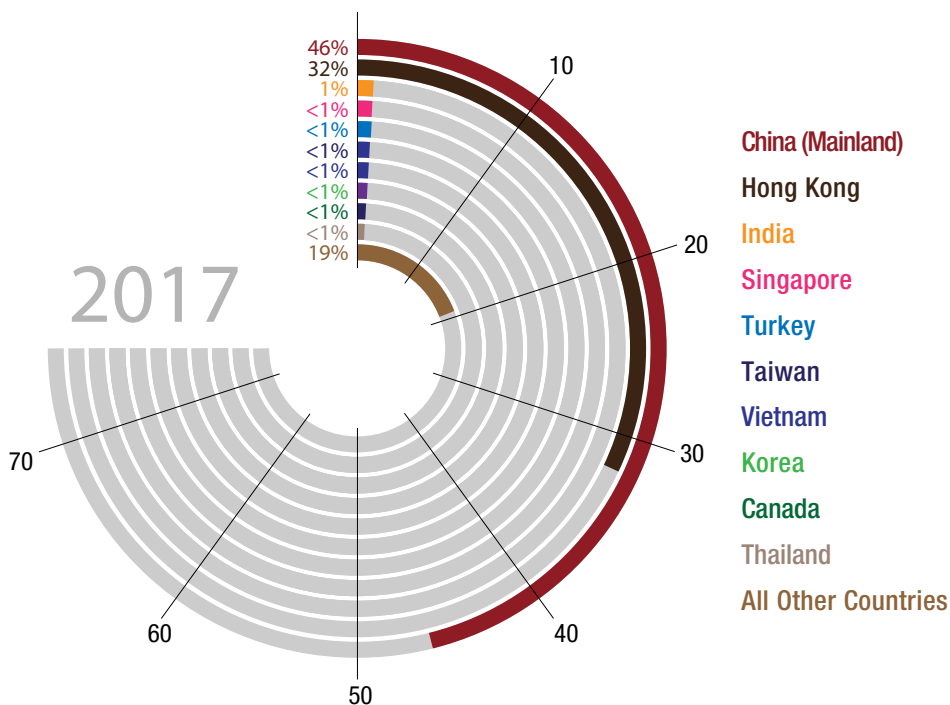
Seizures involving multiple product categories are included in the “All Others” category. Because the individual percentage figures are rounded, in some cases, the sum of the rounded percentages for a given fiscal year is slightly higher or lower than 100 percent.



## Total MSRP for Products Seized by Economy



Trading Partner	MSRP	% of Total*
China (Mainland)	\$ 761,115,429	54%
Hong Kong	\$ 440,344,663	31%
India	\$ 19,952,488	1%
Korea	\$ 10,135,531	0.7%
Canada	\$ 7,798,500	0.6%
Turkey	\$ 5,759,008	0.4%
Vietnam	\$ 5,192,261	0.4%
Taiwan	\$ 5,008,077	0.4%
Malaysia	\$ 4,674,447	0.3%
Pakistan	\$ 2,779,413	0.2%
All Other Countries	\$ 137,114,027	10%
Total FY 2018 MSRP	\$ 1,399,873,842	
Number of Seizures	33,810	



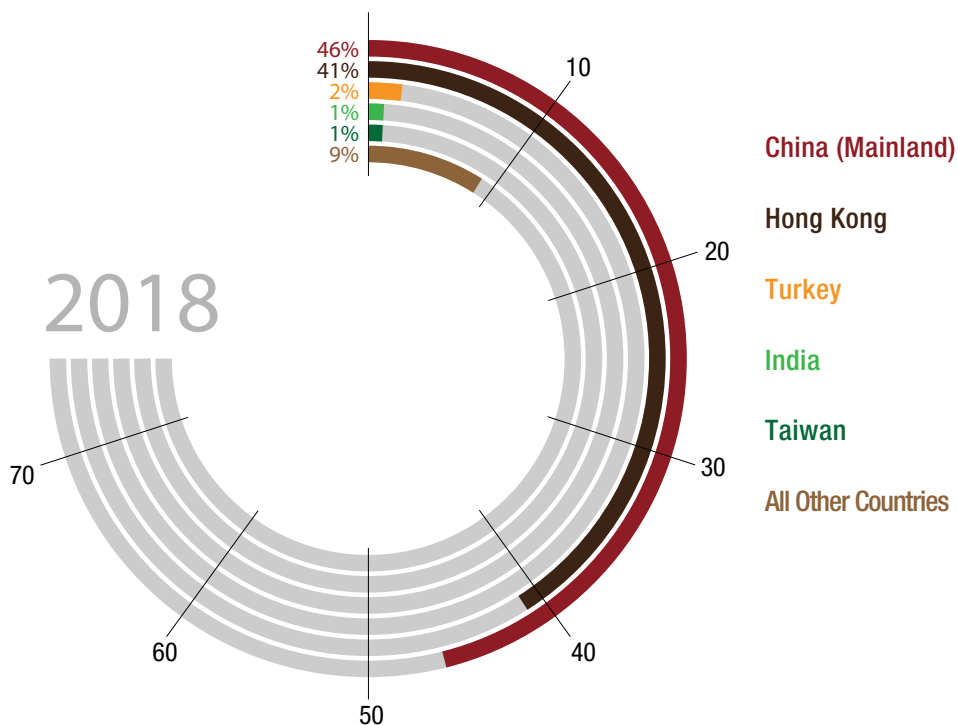
Trading Partner	MSRP	% of Total*
China (Mainland)	\$ 554,631,765	46%
Hong Kong	\$ 386,242,271	32%
India	\$ 8,341,949	1%
Singapore	\$ 4,997,430	0.4%
Turkey	\$ 4,983,051	0.4%
Taiwan	\$ 4,902,390	0.4%
Vietnam	\$ 4,391,835	0.4%
Korea	\$ 4,235,107	0.4%
Canada	\$ 3,036,994	0.3%
Thailand	\$ 1,856,892	0.2%
All Others	\$ 228,762,535	19%
Total FY 2017 MSRP	1,206,382,219	
Number of Seizures	34,143	

The aggregate seizure data reflect the reported country of origin, not necessarily where the seized goods were produced. Because the individual percentage figures are rounded, in some cases, the sum of the rounded percentages for a given fiscal year is slightly higher or lower than 100 percent.

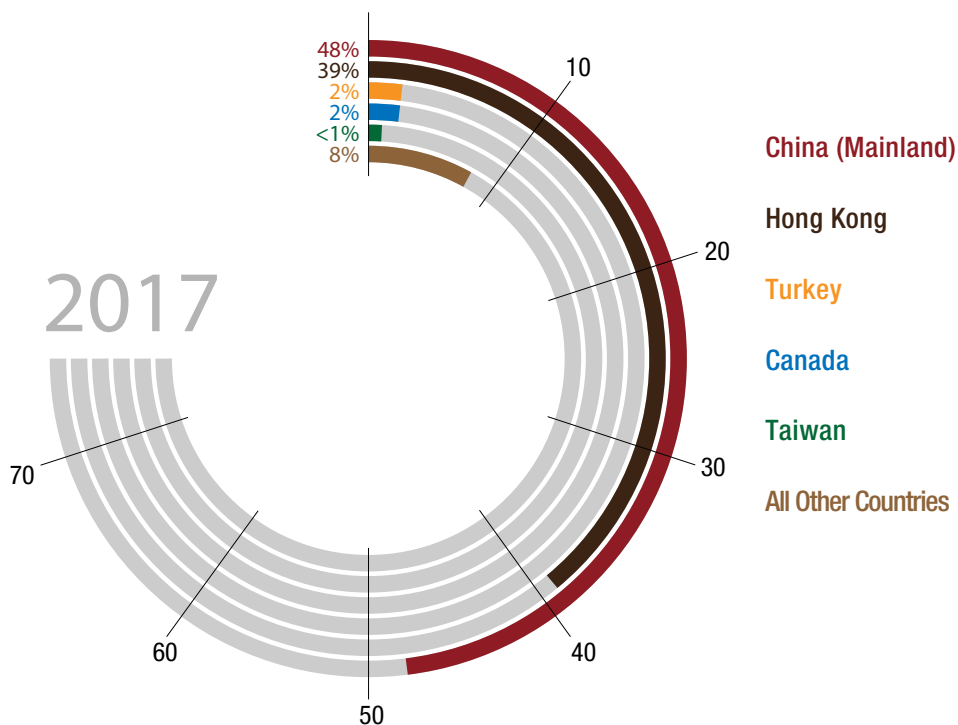




# Seizures by Economy



Trading Partner	Seizures	% of Total*
China (Mainland)	15,674	46%
Hong Kong	13,785	41%
Turkey	618	2%
India	439	1%
Taiwan	408	1%
All Other Countries	2,886	9%
Number of Seizures	33,810	

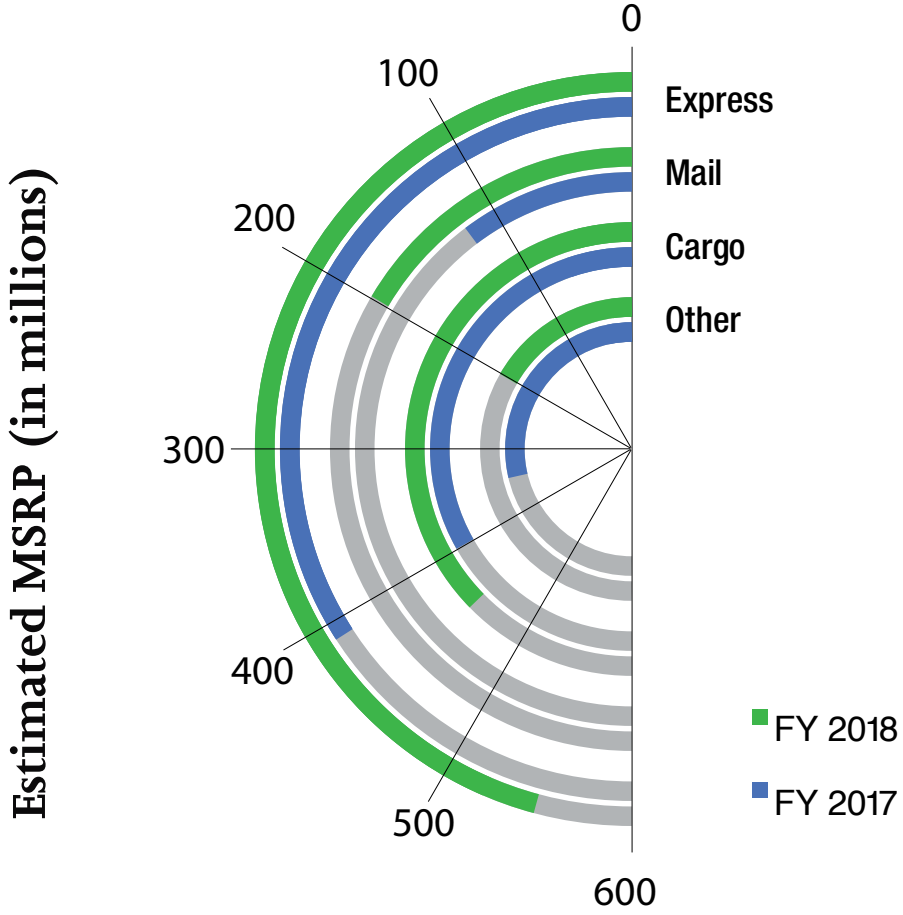


Trading Partner	Seizures	% of Total*
China (Mainland)	16,538	48%
Hong Kong	13,357	39%
Turkey	587	2%
Canada	581	2%
Taiwan	472	1%
All Others	2,608	8%
Number of Seizures	34,143	

The aggregate seizure data reflect the reported country of origin, not necessarily where the seized goods were produced. Because the individual percentage figures are rounded, in some cases, the sum of the rounded percentages for a given fiscal year is slightly higher or lower than 100 percent.

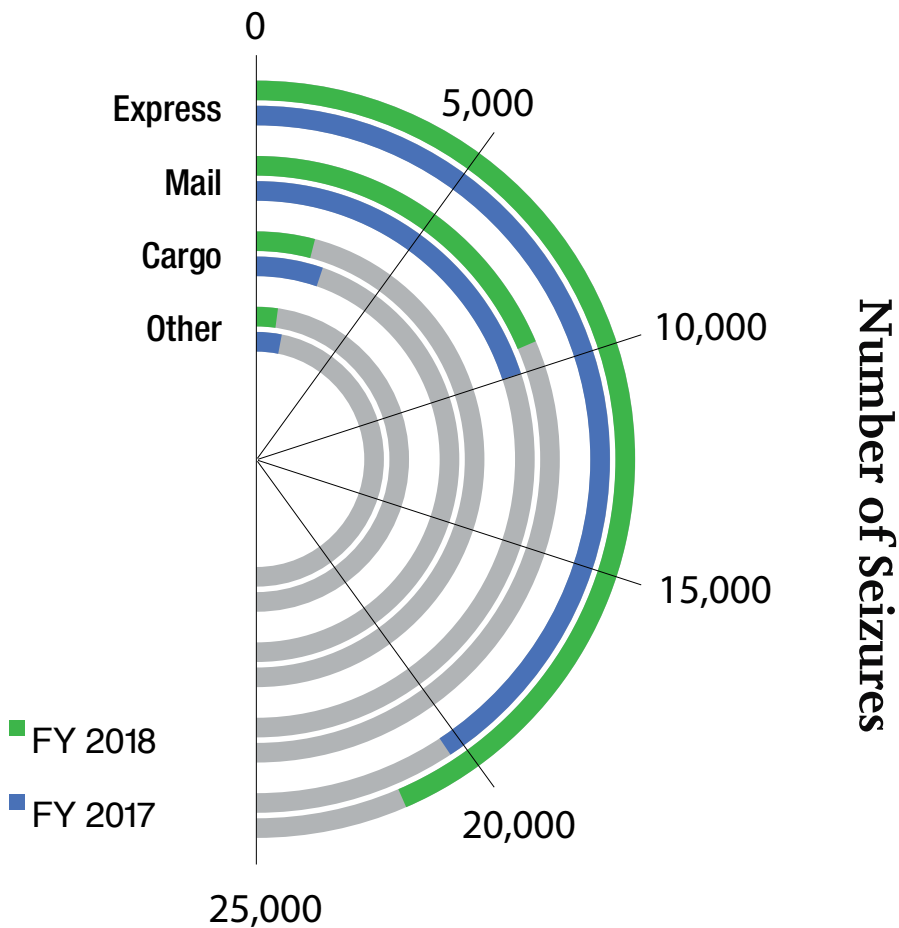


## Seizures by Shipping Environment



Estimated Manufacturer's Suggested Retail Price (in millions)

Mode of Transport	FY 2018		FY 2017		Difference	% Change
	MSRP	% of Total	MSRP	% of Total		
Express	\$ 549.2	39%	\$ 429.3	36%	\$ 119.90	28%
Mail	\$ 197.3	14%	\$ 128.4	11%	\$ 68.90	54%
Cargo	\$ 447.9	32%	\$ 397.5	33%	\$ 50.40	13%
Other	\$ 205.4	15%	\$ 251.1	21%	\$ (45.70)	-18%
Total	\$ 1,399.8		\$ 1,206.3		\$ 193.50	16%

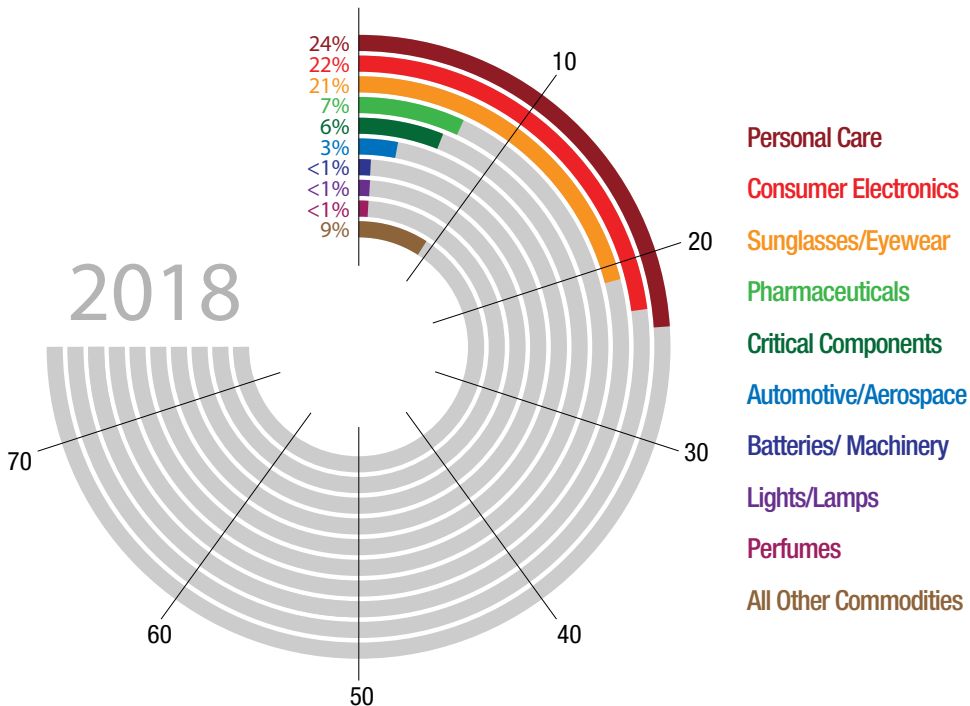


Seizures

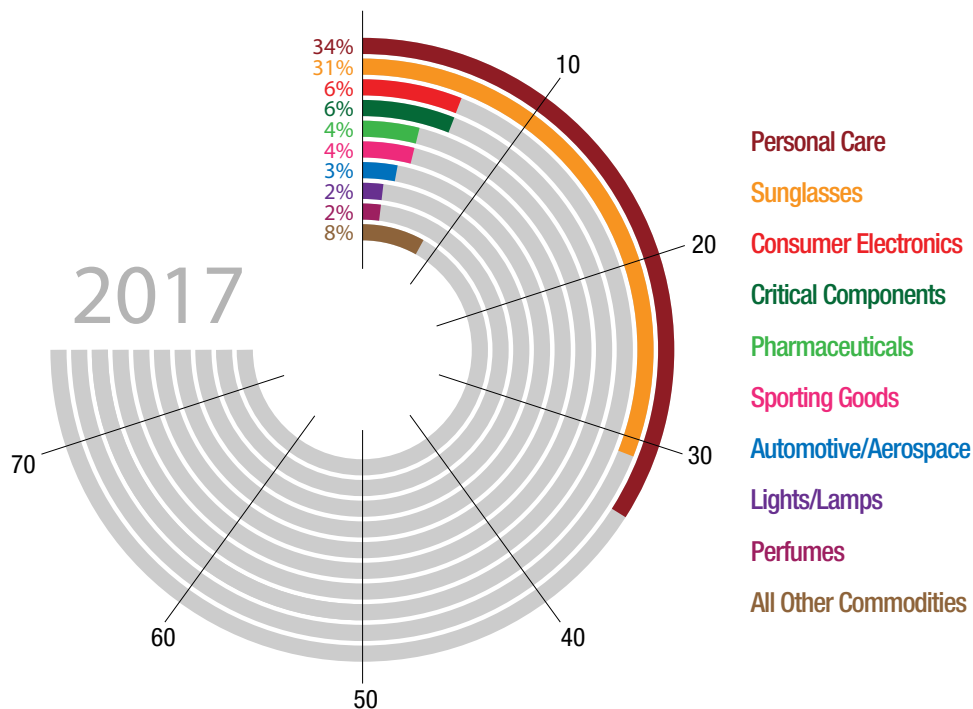
Mode of Transport	FY 2018		FY 2017		Difference	% Change
	Seizures	% of Total	Seizures	% of Total		
Express	21,632	64%	20,417	60%	1,215	6%
Mail	9,643	29%	9,992	29%	(349)	-3%
Cargo	1,673	5%	2,628	8%	(955)	-36%
Other	862	3%	1,106	3%	(244)	-22%
Total	33,810		34,143		(333)	-1%



# Health, Safety, and Security



Health, Safety and Security	Seizures	% of Total*
Personal Care	1,264	24%
Consumer Electronics	1,169	22%
Sunglasses/Eyewear	1,126	21%
Pharmaceuticals	403	8%
Critical Components	306	6%
Automotive/Aerospace	171	3%
Batteries/Machinery	152	3%
Lights/Lamps	144	3%
Perfumes	137	3%
All Other Commodities	457	9%
Number of Seizures	5,329	



Health, Safety and Security	Seizures	% of Total*
Personal Care	1,409	34%
Sunglasses	1,306	31%
Consumer Electronics	267	6%
Critical Components	265	6%
Pharmaceuticals	175	4%
Sporting Goods	146	4%
Automotive/Aerospace	113	3%
Lights/Lamps	97	2%
Perfumes	75	2%
All Other Commodities	318	8%
<b>Number of Seizures</b>	<b>4,171</b>	

Shipments with multiple types of products are included in the “All Others” category. Because the individual percentage figures are rounded, in some cases, the sum of the rounded percentages for a given fiscal year is slightly higher or lower than 100 percent.





## Exclusion Orders

CBP enforces exclusion orders issued by the United States International Trade Commission (ITC).

Most ITC exclusion orders are patent-based.

The ITC issues both limited and general exclusion orders. Limited exclusion orders apply only to infringing articles of named respondents. General exclusion orders bar the entry of infringing articles by all.

Exclusion orders prohibit the entry of all covered articles, even if they were not specifically accused and found to infringe by the ITC.

Once excluded, subsequent importations of the same articles by the same importer are subject to seizure.

### FISCAL YEAR 2017

Shipments Seized	Shipments Excluded	Seizure Est. MSRP	Rulings Issued	Advice to Ports
52	63	\$1,865,192	20	64

### FISCAL YEAR 2018

Shipments Seized	Shipments Excluded	Seizure Est. MSRP	Rulings Issued	Advice to Ports
172	31	\$968,803	13	55

\*The term "rulings" covers rulings and other interpretive decisions.



## Centers of Excellence and Expertise

FY 2018		
Centers	MSRP	% of Total MSRP
Consumer Products & Mass Merchandising	\$1,037,183,325.61	74%
Apparel, Footwear & Textiles	\$192,996,006.67	14%
Electronics	\$121,609,129.95	9%
Automotive & Aerospace	\$14,638,119.41	1%
Machinery	\$11,475,793.21	1%
Pharmaceuticals, Health & Chemicals	\$8,896,989.09	1%
Base Metals	\$7,544,135.00	1%
Agriculture & Prepared Products	\$4,578,950.61	0.3%
Industrial & Manufacturing Materials	\$951,392.73	0.1%
Total FY 2018 MSRP	\$ 1,399,873,842	

FY 2018		
Centers	Seizures	% of Total Seizures
Consumer Products & Mass Merchandising	13,984	41%
Apparel, Footwear & Textiles	11,707	35%
Electronics	4,271	13%
All Other Centers	3,848	11%
Total FY 2018 Seizures	33,810	



## IPR Points of Contact

### **Contact the IPR Help Desk to Report Violations and Obtain**

**Assistance** - CBP's IPR Help Desk is staffed Monday through Friday to answer questions on IPR enforcement. Contact the IPR Help Desk at [iprhelpdesk@cbp.dhs.gov](mailto:iprhelpdesk@cbp.dhs.gov).

**Consult a CBP IPR Attorney** - For those who have legal questions about CBP's IPR enforcement and would like to interface with a CBP IPR attorney, the IPR Branch is available to help. To request information on CBP's recordation program, please contact the IPR Branch at [iprrquestions@cbp.dhs.gov](mailto:iprrquestions@cbp.dhs.gov). For general inquiries on IPR enforcement, please contact [hqiprbranch@cbp.dhs.gov](mailto:hqiprbranch@cbp.dhs.gov).

**Obtain Guidance from the CBP E-Commerce Division** - The IPR & E-Commerce Division (IPR Division) coordinates with rights holders, members of the trade community, CBP staff, other federal agencies, and foreign governments in developing and implementing the agency's IPR strategy, policy and programs. To contact the IPR Division, email [iprpolicyprograms@cbp.dhs.gov](mailto:iprpolicyprograms@cbp.dhs.gov).

**e-Allegations** - If you are aware of or suspect a company or individual is committing IPR crime, please report the trade violation to CBP at the e-Allegations Online Trade Violation Reporting System <https://eallegations.cbp.gov/Home/Index2>. Trade violations can also be reported by calling 1-800-BE-ALERT.

### **National Intellectual Property Rights Coordination Center -**

To report violations of intellectual property rights, including counterfeiting and piracy, contact the National IPR Coordination Center at <https://www.iprcenter.gov/referral/> or telephone 1-866-IPR-2060.





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*[www.cbp.gov/ipr](http://www.cbp.gov/ipr)  
[www.iprcenter.gov](http://www.iprcenter.gov)  
CBP Publication # 0917-0719*